Post Summer 2003
Alberta Tourism Operator Survey

SURVEY SUMMARY REPORT

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October 2003

Table of Contents

Provincial Overview ..... Page 1

Independent Travellers

- Banff National Park ..... Page 3
- Banff Park Corridor – Canmore & Kananaskis ..... Page 4
- Jasper National Park ..... Page 5
- Jasper Park Corridor – Hinton & Edson ..... Page 7
- Waterton Lakes National Park ..... Page 7
- Calgary ..... Page 8
- Edmonton ..... Page 10
- Other Alberta Communities ..... Page 11

Campgrounds & RV Parks ..... Page 13

Group Tours ..... Page 15

Attractions & Events ..... Page 17

Appendix 2

- Interview Schedule

Provincial Overview

Alberta's tourism operators proved resilient in an extremely difficult year. Global strife, SARS, mad-cow disease, airline restructuring and forest fires were, as anticipated, challenges that forced many operators to cut rates in an effort to salvage the bottom line. While summer tourism proved disappointing on most fronts, there were indeed bright spots. Ultimately, overall results are generally better than expected.

- Stronger regional and western Canadian markets supported the industry. In this time of uncertainty, people stayed closer to home and took an Alberta vacation. Attractive rate restructuring in the traditionally upper- priced markets encouraged them. The higher cost of gasoline made long distance travel plans noticeably more expensive.

- Alberta's campgrounds and RV Parks experienced a stellar summer season. Good weather and stay-at-home Albertans contributed to a summer that exceeded expectations.

- SARS was the leading reason for fewer foreign travellers visiting Alberta this summer, especially for those visitors using Toronto as their point of entry into Canada.

- The SARS threat devastated the incoming Asian market. During the summer, Asian visitors were conspicuous by their absence. On a positive note, isolated reports noted a late-season return of Asian tourists.

- European travellers were fewer in number; SARS and fear of world security appeared the primary reasons for postponing travel plans. In some markets, German and U.K. tourists were reported at near-normal levels. Operators are hopeful the decline in European visitors during 2003 will create a pent-up demand unleashing in 2004.

- American tourist numbers declined significantly throughout the province, a fact operators attribute primarily to concerns about SARS, travel security and the poor U.S. economy. In only isolated instances, issues connected to the Iraq war fuelled decisions to cancel trips to Alberta.

- Decreased national park occupancy contributed to implementation of strategic pricing. Shoulder-season pricing levels were in play much earlier in the season. Pricing strategies had a noticeable spillover effect into adjoining markets. One Calgary hotel reported loss of some summer group business to Banff, strictly based upon rates.

Provincial Overview

- Financial loss to national park businesses is blamed on lower occupancy and average room rates in the wake of 2003's large decline in international visits. Noting they are major contributors to the provincial room-tax revenue pool,
several park operators called for increased direct financial assistance to the parks, thereby ensuring an ongoing healthy tourist industry. Alberta's smaller-market hotel operators were able to fill tourism-room vacancies with stronger clientele from the oil and gas and construction sectors. Although crew room rates tended to be lower, longer-term stays more than compensated. This stronger commercial business is expected to carry into the fall and winter.

- Tour operators in general did not experience a good year. Reduced demand resulted in cancelled tours, smaller load factors and passenger sharing to fill tours. With the problems experienced in 2003, tour market inventory may be less for next year.

- Tour group managers are issuing a warning that Canada is becoming an expensive place to travel for Europeans, with the Euro gaining strength against the American dollar. An example: ski season packages for Europeans can now be more cheaply placed to Vail, Colorado than to Banff. On a similar note, a Canadian attraction operator expressed concern that we are pricing ourselves out of the international market and are getting a deserved reputation as an overpriced tourist market. Increasing taxes and user fees are also mentioned as potential inhibitors to Canadian travel.

- Alberta's attractions and events operators report an absence of international visitors. Local and regional visitors were seen in increasing numbers, however; thus business at most venues was good. When potential early-season problems became evident, many operators quickly redirected marketing efforts to stay-at- home travellers.

- Tourism operators are viewing 2004 with optimism. Following a year highlighted by uncertainty and a significant decline in the number of international travellers to Alberta, consensus is there will be no lingering negative consequences. Pent-up visitor demand is anticipated and, after the 2003 experience, many operators are redirecting their marketing thrust to again attract the local and regional visitor market. Many operators report much stronger pre-bookings over the same period last year. Major international events were fewer in Alberta in 2003. A stronger national and international tourism base is expected in 2004 with the return of the Petroleum Show to Calgary and the myriad of special attractions and events in celebration of the Edmonton centenary.

Independent Travellers

Banff National Park

Banff tourism took a hit as anticipated from negative global events in 2003. It has definitely been a year of significantly fewer room nights and lower per-room-night revenue. Still, some areas of the market were noticeably better than anticipated. One hotelier commented, "This year the visitor to Banff is bombarded with choice." That circumstance has been good for the customer, but certainly hard on Banff's accommodation industry.

Summer season occupancies varied. Venues depending on the Asian tour market reported decreases of 20 per cent to 30 per cent. In comparison, one hotel targeting corporate and regional traffic reported a better 2003 with increased occupancy and revenue up 10 per cent to 20 per cent. Most respondents cited occupancy levels down in the range of five per cent to 10 per cent. Decreased occupancy levels also encouraged room-rate restructuring in an effort to fill rooms. That contributed to the impact on the bottom line of most hotels.

The absence of Asian visitors, directly tied to SARS and a weakening economy, had the most significant negative impact on Banff tourism. One hotel reported very soft Asian tour numbers. As that market traditionally represents 30 per cent to 40 per cent of their overall business, the loss was substantial. Overall, for those hotels dependent upon the Japanese market, occupancy decreases ranged anywhere from 10 per cent to 85 per cent. Europeans were reportedly seen in similar or slightly lower numbers than in previous years. With increased availability of good quality rooms in the market, the Americans took advantage. Increases as high as 15 per cent were reported in that category. Regional and Canadian markets predominated with visitors responding to increased target marketing, more attractive pricing and room availability. This was a strong factor in alleviating the impact of summer declines in international visitors. The corporate group and convention market maintained strength.

Most respondents are entering the fall season with expectations of normal to slightly better visitor levels. October is shaping up as a good month, November as normal and December dependent upon early snow. One site reports they are now fully booked over the Christmas season.

As expected after a poor summer tourism season, a number of concerns are surfacing. Provincial room-tax revenue-sharing was mentioned on several occasions. Banff, as a major contributor to that revenue stream, expects additional help in bad times. Several operators also expressed reservations regarding airline-

Banff National Park – (cont'd)

seat shortages, the high cost of Canadian airline travel and its impact on Alberta's tourism industry. Concern was further expressed that excess room capacity and lower pricing did not succeed in attracting more overnight stays from increased park-gate day and through traffic.

Hotel operators are cautiously optimistic as they enter 2004. With a partial return of Asian and international visitors, Banff would be halfway back to pre-9/11 volumes, one hotelier estimated. Another suggested that while occupancy may more quickly recover, it might take three to five years to achieve full rate recovery.

Banff Park Corridor – Canmore and Kananaskis

Contrary to early-season optimism, bookings did not achieve expected summer occupancy levels. While the G8 meeting provided an artificially high standard last year, 2003 was a disappointment in most instances.

Area operators reported significant decreases in both summer occupancy and revenue, with only a few exceptions. As forecast in the pre-summer survey, July proved the weakest month from an occupancy perspective. Those venues not dependent on the group-tour market fared slightly better; results ranged from a five per cent increase to one of holding their own. Other, more tourist-dependent businesses saw high reductions in occupancy, ranging from 15 per cent to 40 per cent in July to 10 per cent to 40 per cent in August. Some recovery appeared evident in September.

Attempting to counter falling occupancy, operators resorted to aggressive rate discounting. Average room rates started to drop in early summer and carried on into October. Room-rate discounts of 10 per cent to 20 per cent are not uncommon in competition within the corridor markets, as well as with Banff.

A stronger regional travel and walk-in market helped to mitigate the large decreases in Asian, European and American visitor numbers. An improved conference market was also a highlight. The SARS scare had a significant impact on Asian tourist numbers with hotels reporting visitor reductions as high as 79 per cent. One venue directly blamed SARS for estimated revenue losses in the mid

Banff Park Corridor – Canmore and Kananaskis

- (cont'd)

six-figure range. The strength of U.K. and German markets, earlier the subject of optimistic forecasts, did not materialize. Most locations reported decreased visitor levels. U.S. visitor numbers were also down at many venues, with several reporting drop offs of 25 per cent to 35 per cent.

Expectations for the remainder of 2003 are mixed. Some hotels are looking to close the year at similar or slightly improved levels compared to 2002. Others are much more pessimistic with comments like "fall is bleak" and "low expectation." As one operator stated: "The fall market is traditionally slow, but this year there will be no summer cushion to fall back on."

2003 was characterized by rate discounting within the marketplace and the significant drop in international visitors, led by the Japanese. With higher vacancy in the National Park, the area also did not benefit from the trickle-down park business that usually occurs during the summer. In a positive shift, operators noticed some rebound of the Asian visitor market in late summer and early fall.

After the adverse events of 2003, most operators are looking to 2004 with a more positive outlook. There is fear that recovery may take a long time. However, one property reported pre-2004 bookings are already better than last year.

Jasper National Park

Global events and August forest fires had a huge, negative impact on Jasper's summer tourism season. Park-exit surveys showed visits consistent to last year, but those numbers did not materialize into overnight stays. Most operators entered summer with some pessimism; still, the decrease in visitor numbers exceeded their expectations for the most part. The abundance of summer vacancies led to a corresponding softening of room rates. One hotelier traditionally catering to the Asian tour market characterized 2003 as "the worst summer of (his) 35 years in the Jasper hotel industry." In an exception, another successfully directed their sales efforts to regional and Canadian visitors and reported, "Overall we fared really well," occupancy for the summer is only down marginally.

Jasper National Park - (cont'd)

Reporting hotels indicated occupancy off by as much as 25 per cent, with July and August representing the bulk of the decrease. June was also reported as soft; there is no evidence of a September recovery. The SARS-related absence of Asian tourists had the most significant negative impact; Asian visits to most hotels were virtually non-existent. European travellers were also noticeably fewer. One venue reported an increase in U.K. visitors while a Jasper attraction received more Germanic country guests. The number of Americans travelling to Jasper was also reportedly down. This was attributed to Americans' desire to stay closer to home, and a weaker U.S. economy combined with our stronger currency, thus increasing the cost of a Canadian vacation.

Summer tour traffic was soft with bus numbers down and fewer guests on each tour. Tour restructuring occurred during the season and some late August bookings materialized. With availability of good rooms at attractive price points, regional rubber-tire numbers increased at some hotels and average stays were longer. Overall, there was a decrease in FIT leisure traffic during July and August and not a lot of long-distance, walk-in traffic. A more centrally located hotel indicated drive-by traffic appeared to be stopping at sites closer to the park gates, rather than travelling into the downtown strip.

October to December is forecast as normal or slightly better than previous years. The success of December bookings is of course snow-dependent. On a positive note, operators find evidence of increased Asian tourist numbers.

Several hotels have used the negative 2003 results to analyse and reassess long-term strategies. As hotel managers told us, "Jasper must do damage control to change its image as a high-cost market." They also stated: "To be successful, we must rethink traditional markets, refocus on new markets and better identify customer needs." One operator identified transportation to their market as the biggest concern, also stressing the critical importance of developing a strong transportation and facilities infrastructure for Jasper to compete in the global economy.

Jasper properties are entering 2004 with guarded optimism. After the magnitude of negative events in 2003, the feeling among operators is things must now get back to normal. There is some concern about retention of the U.S. visitor market, especially because of existing product pricing and strengthening of the Canadian dollar. The 2004 presidential elections may also impact U.S. visitations. Historically, fewer Americans travel away from home in a presidential election year.

Jasper Park Corridor – Hinton and Edson

Hinton and Edson generally experienced a strong summer season. Vibrant demand from the oil and gas industry more than compensated for a noticeable decrease in tourist visitor levels.

The exception in this area was one property reporting a summer business decrease of 40 per cent. All others reported a stronger and steady 2003 summer season. The relatively good summer results brought home the advantage of having a diverse client base. Oil and gas activity provided a heavy crew-based room demand in both communities. Although room rates were a little lower as a result, longer-stay occupancy more than compensated for any price erosion. The tourism market suffered with the decline in the number of international visitors and little visitor spinoff from the national park. There was a noticeable decrease in U.S. visitor numbers, but a stronger regional tourist component. A significant drop in group tour business was evident at most hotels, although one reported visits at similar levels to last year. What they lost in early-season cancellations, they were able to make up as the season progressed. Branded hotels appeared to be more shielded from decreased tourist volumes than were their smaller counterparts; much of the drop in tourist traffic occurred later at night.

With ongoing oil and gas activity, hotels are reporting heavy bookings. A strong fall season is assured. Several are fully booked for the remainder of the year with crew business. Other more tourist-oriented hotels report pre-bookings are few, but a solid walk-in trade is being experienced. With the sports team business again underway, they are optimistic for a good end to the year.

Park corridor operators are entering 2004 on a positive note. Crew business is expected to last into the new year. With increased tour requests to date, a more robust tourist season is also anticipated.

Waterton Lakes National Park

A slower start to the summer season and negative publicity from area fires meant the Waterton Park summer tourist season did not achieve visitor-level expectations. Park gate numbers were reportedly down more than 20 per cent. Fewer park visitors forced retail and service-sector businesses to end their seasons much earlier than normal.

Waterton Lakes National Park - (cont'd)

Summer hotel occupancy was reported as OK but not exceptional by one operator. Others saw a drop as much as 20 per cent. The negative global events put a damper on early-season activity with one venue reporting group tour business down by as much as 60 per cent. In their words, "Tours cancelled early and we were unable to make them up." Not a great start. Seniors tours led the way, off by a reported 40 per cent. Waterton Park does not traditionally serve a large international market, but SARS had a negative effect, especially on Asian travel. European visitors were seen in similar numbers to previous years.

Waterton Park's usually strong U.S. tourist market suffered as a result of late summer fires in Glacier Park and the closure of the Going to the Sun Highway to U.S. visitors intending to travel to Waterton Park. Further fires in the Crownest Pass limited traffic from the West into the park. As in other parts of the province, regional visitors in increasing numbers significantly assisted in making up for fewer out-of-country travellers. Convention and wedding business was also a positive aspect of the summer season. Empty rooms brought about shoulder-season pricing earlier than normal, thereby contributing to a generally poorer year financially.

For those hotels still open, the fall season is consistent with prior years, although reservation lead times are shorter.

One operator stressed the need for Waterton Park to develop as a four-season destination if the park is to flourish. The consensus is that things will get better after the misfortune of 2003. Operators look upon 2004 with guarded optimism. One hotel reports pre-bookings up over the corresponding period last year and another a good number of block bookings for weddings in 2004. Both are strong indicators of better things to come.

Calgary

Calgary's summer tourism season is described as "as good as possible when all the negative events are considered". That is not to say it was a banner year at most hotels. Occupancy levels and average room rates were affected by the absence of major events in the city, particularly the lack of anything as large as 2002's G8 meeting.

Calgary – (cont'd)

2003 is widely considered a worse-than-average year. Hotel occupancy is reported down on average six per cent to eight per cent; the range is reported as being anywhere from 15 per cent off last year for hotels catering to the corporate and foreign tour traveler, to several facilities advising similar occupancy levels. The summer season started with a relatively strong early season, a generally soft July and August, and a rebound into September. Lower occupancy led to some rate discounting and advertised specials in late summer and early fall. Corporate hotels reported, with one exception, corporate group sales as worse than expected. That was a disappointment. Due to strong reliance on the eastern Canadian corporate market, Air Canada's problems continue to negatively impact corporate visitors. There was a significant adverse affect on tour group business, most directly attributed to SARS. The absence of Asian visitors was noticeable with numbers off 20 per cent and higher. Americans were also conspicuous by their absence, with both U.S. tour and individual leisure travellers down by as much as 50 per cent. As in other markets, regional leisure tourism was appreciably stronger, although not in sufficient numbers to cover shortfalls.

Most hotels are entering the fall and early winter season with expectations of similar or slightly better occupancies. October looks to be the strongest month, November the same or a bit flatter and December the same or slightly ahead of last year.

Air Canada's restructuring represents the most significant concern mentioned by Calgary hotel operators. That was closely followed by room-price structuring, not only in the Calgary market, but also to Canadian tourism as a whole. One operator mentioned that their inability to be price-competitive outside their market resulted in lost group business to both Banff and Toronto. Another mentioned aggressive price shopping by travellers and commented: "Guests think it is a buyer's market." The Canadian tourism market is not the bargain it once was to European and U.S. visitors, said another operator, blaming the strengthening currency and higher room rates. Other comments related to market dilution with more hotel rooms going after the same number of customers.

Our respondents are entering 2004 with a bullish outlook. There is anticipation that people put off travelling in 2003, creating pent-up meeting and convention demand for next year. The return of the Petroleum Show highlights a more active 2004 event season. Hotels generally report more pre-booked rooms than last year and a stronger convention-booking demand.

Edmonton

Looking ahead to the 2003 summer tourism season on a positive note, Edmonton tourism operators found instead that summer proved to be disappointing. Results did not meet expectations. Edmontonians have been fortunate in the past two years to host high profile international events. 2003 was an off-year for major events in the city. Coupled with the adverse global situation, a negative impact on the number of summer visitors was a result.

Hotels catering to the corporate market and those with a strong regional focus tended to fare better than those catering to leisure travel and group visitors. Results were mixed; a reasonably good early season fell into a softer mid- summer with some recovery into September. Summer occupancy numbers varied from a high summer drop of 50 per cent at one group tour oriented location to a more general three per cent to five per cent drop from the previous year.

The greatest loss was experienced by the group tour sector. SARS is identified as the main reason for the substantial decrease in Asian and American travellers. There was also a noticeable drop in tours from eastern Canada. In addition to the SARS scare, mad-cow disease also is attributed to the reduced number of senior tours. One tour-oriented hotel reported the number of tour visitors to be down by as much as 40 per cent from the previous year. Hotels report an increased leisure rubber-tire and walk-in business, led by stronger regional, Alberta and western Canadian traffic. U.S. individual travellers were fewer in comparison to previous years. Convention markets were softer than they have been for a while due in part to the absence of city wide major events during 2003. There was also a weakening of corporate business over the summer months.

The fall season appears to be starting slowly, improving into November and uncertain in December. Most hotels anticipate a season similar to 2002. Advanced bookings are reportedly lower, but shorter booking lead times appear more common this year.

The impact of SARS on Edmonton tourism was larger than anticipated. Not only was it directly responsible for tour cancellations and the absence of international visitors to the city, but it also reduced visitor spinoffs from the national parks. It created uncertainty for people making travel plans. The impact of airline restructuring is always a concern for hotels catering to the corporate market.

Edmonton hotel operators look to 2004 with optimism. Corporate business is expected to continue at a steady pace. Already there is a stronger convention and

Edmonton – (cont'd)

meeting base entering next year. With the myriad of major attractions and events celebrating Edmonton's centenary, a much stronger tourism year is expected. Hotels are reporting an increase of tour group pre-bookings over last year. 2003 did not reach expectations, but 2004 looks to be much better.

Other Alberta Communities

This section is a summary of hotel operator responses from Red Deer, Lethbridge, Medicine Hat, Grande Prairie and Fort McMurray.

Average to lower visitor levels in southern and central Alberta and a generally good summer in the north characterize the situation for hotels outside the major centres, national parks and near national park areas. Tourism is described as slower this year, but steady oil and gas activity have filled rooms with crew business.

Southern and central hotel operators report summer occupancy levels ranging from five per cent to 10 per cent above last year to a negative 20 per cent to 30 per cent decrease from 2002. July for most venues was the weakest summer month, with a strong August occupancy extending into September. As a non tourist destination area, Red Deer hotels cater primarily to a regional visitor and corporate market. Regional visitor numbers were reportedly not as strong as in past years. Corporate and crew business remained steady or slightly up. While corporate and association meeting business is active, the noticeable trend is for day only meetings that do not extend to overnight stays. The northern hotels generally report a good to very good summer season. Occupancy increases of 10 per cent to 15 per cent were experienced in the Grande Prairie market. Fort McMurray was rewarded with a good July as host to the Alberta Seniors Games.

Southern Alberta hotels were supported by a busy oil and gas market, which generated into extended crew-stays. Agriculture-related business was down at several sites and corporate conference and meeting business remained at prior year levels. Tourism and convention markets were weaker than they have been over the last several years. Group tour visitors were fewer with some bus-tour traffic down by as much as 50 per cent. A much weaker U.S. visitor market was evident, especially from Montana and Utah. One hotel reported U.S. traffic was down by as much as 70 per cent. Other leisure traffic remained constant, led by a

Other Alberta Communities – (cont'd)

stronger regional rubber-tire trade. The forest fire effect was contradictory. One hotel attributed extra rubber-tire business to the fires, while another mentioned a negative impact as a result of cancellations and shorter guest stays.

Northern centers also experienced strong oil and gas and industry driven business over the summer months. The tourist trade suffered in 2003. Fewer bus tours travelled through the region; there was a noticeably smaller than normal number of Asian and American travellers this year. A pleasant surprise was the increase in leisure rubber-tire traffic to the north. As in other areas of the province, a stronger regional visitor presence helped. Significantly, a wider Alberta distribution in the leisure travel sector was noted. More Albertans experiencing the north this year could generate more Alberta traffic in years to come.

Southern Alberta hotels are forecasting stronger year-end commercial trade led by oil and gas activity. Rubber-tire and sports team business is expected to be steady. Northern venues predict similar or better occupancies for the remainder of the year. The strength of the northern market is illustrated by one hotel reporting they will be the top performer in their hotel chain in 2003.

The consensus of respondents is, as one operator phrased it, "It's good to be in Alberta, helped by an active oil patch and construction industry." Operators did, however, identify the challenge of increasing operating costs. The difficulty in conserving the bottom line is exacerbated by high utility costs, which in one case tripled. Northern Albertans mentioned the problem of airline prices and poor connections that inhibit northern visitor traffic. Labour shortages for entry-level hospitality industry positions have become a real operating concern in the robust northern Alberta economies. Recent expansions to hotel-room inventory in a number of markets may have long-term negative effects on those markets.

Optimism prevails entering 2004. As one operator so aptly said, "We are prepared to go with the ride." Most respondents expressed confidence the ride would continue. From a tourism perspective, most operators are looking at similar or increased tourist numbers for next year, with tour bookings on the upswing.

Campgrounds & RV Parks

The spirit of optimism characterizing our pre-summer 2003 survey translated into a better-than-average summer for Alberta's campground and RV park operators. Following a less-than-stellar start to the season, most respondents reported better-than- expected operating results throughout the summer.

Seasonal results ranged from "best in 10 years," "great summer," to "average year" or "slightly below." But all were more than pleased with the success of summer 2003, when taking into consideration the adverse conditions facing them at season's start. Most campgrounds and RV parks reported occupancy increases of between 10 per cent and 30 per cent over 2002. Only one operator reported a slight occupancy decrease, but also reported revenue had increased over last year.

After a generally poor May and quiet early June, the summer camping season took off with gusto. Late June, July and most of August were described as strong and steady. Many sites reported full bookings for most summer weekends, especially the August long weekend. We also received reports of full-occupancy turnaways occurring. At one site, it was the first time ever. Some locations did experience late August and early September dropoff because of smoke and fire concerns.

Alberta's excellent summer and early fall weather has been a positive factor to the success of 2003. The regional travel market throughout the province was considerably stronger in 2003 with Albertans and western Canadians staying closer to home. The higher cost of fuel is blamed for discouraging travel to farther destinations. Travellers from the United States did not appear in the numbers earlier expected. Some areas reported little or no drop in American visitors, while others experienced declines of as high as 50 per cent from past years. Some of that drop is attributed to the fires in Glacier Park shutting down that access to Canada in late August and early September. European visitors were as expected, fewer in number although several sites maintained levels similar or slightly above 2002. Lingering concerns about SARS, world security or war and mad-cow disease were also believed to have contributed to reduced visitor numbers. Reporting an exception, one operator advised their tour group business held steady and resulted in pre-booking for 2004. Another reported occupancy losses from the travel market were more than compensated for by long-stay construction crew business at their site.

The British Columbia and Glacier Park fires may have benefitted campground and RV park operators as campers made alternate travel plans. Albertans who normally camped in B.C. stayed home and enjoyed an Alberta camping experience, as did Saskatchewan and some Manitoba visitors. Northern Alberta campgrounds subject to campfire bans in 2002 did not have those same restrictions this year, which was a bonus to their visitors. On the negative side of the fire situation, some operators reported cancellations due to heavy smoke in August and early September.

Campgrounds & RV Parks

Campground and RV park operators project a positive and upbeat attitude, but there are underlying concerns. Smaller operators are finding it increasingly difficult to control rising operating costs and must more effectively manage their cash resources. Increased insurance and public liability costs are becoming a significant burden on cash flow. Operators identified more tourism outreach and additional Alberta travel product marketing to eastern Canada as help that would assist their business.

Summer 2003 was a very successful year, even taking into account negative impacts from global events and forest-fire smoke. Alberta's campground & RV park operators are viewing 2004 with a very positive outlook.

Group Tours

Cautious consumers and uncertain markets characterized 2003. As anticipated, SARS, war/terrorism concerns, mad-cow disease and unstable world economies all conspired to keep international travellers at home this year. Needless to say, the impact on group tours to Alberta has been significant. Tour numbers were way down as were passenger counts on those tours that did run. Operators mentioned they ran some tours at a loss to maintain client goodwill and several formed alliances to fill space on shared tours. If every cloud has a silver lining, however, tour business did not drop in the magnitude forecast in our pre-summer survey, saved in part by heavier last-minute bookings.

SARS devastated the incoming Asian tourist market; tour numbers were down significantly. Especially in the National Parks, Asian visitors were a rarity. One tour operator commented, "SARS killed Canada and hurt Alberta far more than 9/11 by a factor of four times."

European tour visitors on the whole were also fewer. Tour operators report significantly fewer French visitors, pointing to a poor economy and anti-North American sentiment. Italians were also reported in fewer numbers. Several respondents did report similar or slightly better European business, led by German, Dutch and U.K. visitors. In some markets, Australians also visited Alberta in higher than expected numbers.

The number of United States visitors proved to be disappointing with incoming tours fewer than anticipated. The lingering SARS threat was the principal inhibitor, especially for visitors using Toronto as the point of entry into Canada. Concern regarding the uncertain U.S. economy, the lingering mad-cow disease crisis and August fires in Western Canada also had negative impacts on travel decisions. We heard from operators who contend that Canada does not provide the travel bargain it once did.

Domestic tour operators report an increase of in-Canada travel, as well as an enhanced outbound 55+ market. Tour travel to the West by eastern Canadians was reportedly down. Albertans were staying closer to home or taking advantage of a stronger dollar to travel in the United States this summer.

On the whole, 2003 was not a banner year for group tours. Business assessments from operators ranged from "substantially down" to "not as good as we wanted it to be." Business decreases of as high as 40 per cent to 50 per cent were reported; overall decreases of five per cent to 12 per cent were not uncommon. To sum up: it was not a very good year, but in many cases it was better than expected.

Expectations for the fall and early-winter seasons are mixed. Some report the season is not off to a great start and they are concerned. Others advise their fall programs are OK. The higher numbers of British, German and Dutch visitors appear as a bright spot. Overall, the fall season is anticipated to be poorer than past years.

Group Tours

Tour operators willingly shared their industry insight with us, some of which may have long-term implications on Alberta's tourism prospects. Several observations are worthy of note. With the Euro strengthening against the U.S. dollar, the United States has become a cheaper tourist destination spot than Canada. An outstanding example: this year tour operators catering to Europeans could package ski vacations to Vail, Colorado cheaper than to Banff. It was also mentioned that U.S. pricing is as much as 15 per cent cheaper for similar venues. Increased user fees and taxes are becoming a negative factor to the detriment of the industry, according to tour operators. Canadian airline restructuring, seat shortages, poor connections and cost of flying remain worrisome to most package operators.

A poor 2003 tourist season result has not dampened optimism for 2004. Without exception, operators are forecasting a much better year. Some are cautiously optimistic, indicating a more conservative tour planning strategy with less available product choice. Others foresee a much more promising year. Individual reports indicate increases of 10 per cent to 15 per cent in western Canadian tour business with the Rockies being the major benefactor; pre-bookings on par with 2000; a very good year; and lots of cancelled 2003 trips postponed to 2004. All in all, 2004 prospects appear promising.

Attractions & Events

Alberta's Attractions & Events venues experienced a mixed summer season. International visitors were far fewer in number at most sites, while all reported strong visitations from local and regional guests. Satisfactory for the most part, the season is summarized as being softer than hoped. This was consistent with our pre-summer survey where operators anticipated lower attendance numbers and increased local stay-at-home visitations.

Operators report visitor numbers ranging from one per cent to two per cent increase to six per cent to 10 per cent fewer people passing through their gates. Outdoor attractions benefited from the excellent summer weather that, on the flip side, might have proved a detriment to indoor exhibitors. Several venues claimed to be benefactors of the summer fire season. However, one of our respondents suffered the loss of eight to 10 days during peak season as a result of forest fires, turning an otherwise good year into fewer visitors than the prior years.

The regional market was reported as substantially stronger as Albertans and western Canadians generally stayed much closer to home. International visitations were significantly down with Asian tourists cited by most as being almost non-existent. European travellers were also fewer in numbers, although one site noticed an increase in the number of visitors from the Germanic countries. United States traffic was reported as the same or slightly down, with more Americans coming from the Pacific Northwest and fewer from the midwestern states. Motor-coach traffic also seemed down at most sites, led by reductions in seniors tour groups.

As a major event, the Calgary Stampede experienced only a slight decrease in attendance. Officials recognized the potential for reduced international visitors early and redirected marketing efforts to regional and Canadian advertising. As earlier forecast, their international numbers were down, but they had strong representation from Albertans and other Canadians, with Ontario proving stronger than anticipated. Other venues also were rewarded with worthwhile results by redirecting their marketing strategy to a more local market.

Several attractions reported that, despite their efforts, it is still difficult to initiate alliances with other attractions to enhance the visitor experience. This proved to be both a disappointment and a concern. Another private operator expressed concern regarding highway signage to his attraction and the seeming emphasis in both signage and advertising to provincially operated sites.

2004 is being regarded optimistically. While a large turnaround is not generally expected, 2003 is considered a short-term deficit. Based upon current experience, many venues will be more closely focusing marketing efforts to local, regional and Canadian markets, giving less emphasis to U.S. and international advertising.

SURVEY SUMMARY REPORT

Appendix 2
Interview Schedule

Appendix 2

POST-SUMMER 2003 ALBERTA TOURISM SURVEY
INTERVIEW SCHEDULE

Name of Establishment/Attraction/Business _____

Name of Contact: _____ **Phone Number**: ( )_____

Business Address: _____

Copy of Final Report: **Yes:** ☐ **No:** ☐

CONTACT PERSON: Please update any changes on your phone list with the correct information. Please ask respondent if they have about 5 minutes to answer questions related to the summer performance of their respective business. Please introduce yourself and indicate that you are conducting this survey on behalf of Alberta Economic Development. If anyone wishes to verify this, please have him or her call Sid Nieuwenhuis at (780) 422-1058.

INTRODUCTION: **Purpose**: A post-summer survey to determine how the tourism industry performed during the summer and early fall.
Reassure them that we will not be releasing any identifying information. The only information that will be released to the public is a summary of provincial and regional results in mid-October. Ask respondent if they wish to receive a copy of the final report, and if they do, please confirm mailing address so that a copy may be mailed to them.

NOTE: This interview schedule is not intended to be read verbatim to the respondent, but please ensure that all questions are asked if they apply to the respondent. This is very important so that we ensure consistency in all the interviews. In some instances, during an interview you will hear something from an operator, such as "we are receiving many last-minute cancellations from tour operators" or "we have had fewer visitors from the United States than previous years." Please follow through on comments like this in subsequent interviews with operators in the same location or with similar types of businesses. This helps to determine whether this was just an isolated incident or a more general trend.

QUESTIONS:

1. **How has your business fared for the period May through September this year compared to the same period last year?**

2. **How well did your property/attraction/business operation (use the appropriate term, depending on who you are speaking with) perform in July and August? .... How about September? How does this compare to the same period last year?** (Try to quantify by asking respondent to give a percent change for the summer months of July and August and then again for September).

3. **Did any of your key markets perform better or worse than usual? Have any of the recent global events such as SARS, the war in Iraq, airline restructuring, or mad cow disease had an impact on your business during the past three months? If yes, please elaborate on how your business has been impacted.**

4. **Did you experience an increase in demand from any particular visitor origin(s) during the months of July, August, or September? Did you have a noticeable increase in the number of visitors from any new markets that have typically not been a source of visitors for your property/attraction/business operation?**

5. **Overall, what are the prospects for your property/attraction/business operation through the end December this year?** Do you expect it to be better, worse, or about the same as last year?**

6. **Cooments**

**If the establishment is a seasonal operation that will not be open during the period October through December, ask if the respondent has any preliminary idea about the business prospects for next year.

Please thank respondent for taking his/her time to answer these questions.